

# Retiree Update

Nebraska Retirement Systems

December 2008

PROVIDING  
INFORMATION TO  
RETIRES OF THE  
JUDGES, STATE  
PATROL AND  
SCHOOL PLANS

## 2009 Benefit Payment Schedule

- January 30
- February 27
- March 31
- April 30
- May 29
- June 30
- July 31
- August 31
- September 30
- October 30
- November 30
- December 31

\* If you use Direct Deposit and change banks or bank accounts after the 7th of any month, your payment may be delayed.

### Review Your Tax Withholding

Do you know that you can start, stop or change the tax withholding from your retirement benefit, any time you'd like? Once each year, federal law requires the Nebraska Public Employees Retirement Systems (NPERS) to remind you, as a benefit recipient, of your ongoing right to do so.

You are not required to have federal income tax withheld from your monthly benefit, however, the Internal Revenue Service (IRS) may assess interest or penalty charges if your estimated tax payments or withholding amounts fall short of your tax liability.

Your allowances determine the amount of tax you want NPERS to withhold from your benefit payment. You may designate the number of allowances you want to claim and your marital status for both state and federal tax withholding using the NPERS' form entitled Withholding Certificate for Pension or Annuity Payments.

To get the form, complete the "Request Form" below, visit NPERS' website at [www.npers.gov](http://www.npers.gov).

[ne.gov](http://www.npers.gov), or call our office at the numbers listed below. **No action is necessary if your present tax authorization for your monthly retirement benefit still fits your needs.**

*If you are a Nebraska resident*, NPERS is required to withhold Nebraska taxes using the allowances and marital status you claimed for federal withholding. You may also elect additional amounts of withholding over and above the marital status and allowances you elected on your federal and/or state withholding; these amounts are not required to match. If you choose *not* to have federal tax withheld from your retirement benefit payment, you are not required to have Nebraska state income tax withheld. *If you are not a Nebraska resident*, NPERS is **not** required to withhold Nebraska taxes from your benefit payment.

If you have questions, please contact NPERS at **800-245-5712** or **402-471-2053**. For tax *advice*, you should contact a tax professional about your individual situation. ☐

### Required Minimum Distributions

If you've stopped working and reached the age of 70 ½, and you have a 401(k), 457, 403(b), IRA or other tax deferred savings account, there is an Internal Revenue Service (IRS) rule you should know about. For an inactive school member who has reached the age of 70 ½ and has requested a refund of your 401(a) school account, you will need to take an RMD before the account can be paid out to you.

The IRS wants you to begin withdrawing enough money from each type of retirement plan annually to satisfy the Required Minimum Distribution (RMD) rule, even if you don't actually need the money to live on. The RMD is easy to calculate if you have just one plan, but becomes more complicated with multiple retirement plans. Generally,

you'll need to take a distribution from each *type* of account. In other words, the RMD for your IRA would not satisfy the RMD for your 401(k). However, if you own multiple IRAs or 403(b)s, you can aggregate the total amount and take a withdrawal from just one account. You may choose how and when you take your distribution, such as any time during the year as a lump sum, or as a monthly, quarterly or semi-annual installment.

The exact distribution amount changes from year to year and is calculated by dividing an account's year-end value by a life expectancy factor published by the IRS, which can be found at [www.irs.gov](http://www.irs.gov). Be sure to contact a tax professional if you need assistance. Contact NPERS to request the necessary form and for help in calculating your RMD.

If you have a change of address or any other demographic changes, let NPERS know. You can use the form below or send us a note with your signature.

### Address Change/Request Form

Please use this form to notify NPERS of a change of address OR to request an NPERS form. **(Please print)**

Check here if this is a change of address. Your signature is required for an address change.

Signature \_\_\_\_\_

Account Number \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

If you need additional information or a form, please check the appropriate box(es) below:

- Withholding Certificate for Pension or Annuity Payments Form
- Direct Deposit Agreement Form
- Beneficiary Designation Form
- Other \_\_\_\_\_

## COLA Set at 2.5%

A cost-of-living adjustment (COLA) acts to keep your benefit in step with the changing economy. As inflation raises consumer prices, your COLA reflects the economic increases by raising your monthly benefit accordingly.

Retirees of the School, Judges and State Patrol Plans who have received benefits at least one full fiscal year (July 1-June 30) are granted a COLA increase. This increase is based on the consumer price index (CPI), which is a tool developed by the U.S. Department of Labor to track the average costs of various items consumers buy over time. Tracked on a monthly basis, the costs are then averaged to come up with a yearly amount, which is essentially a measure of economic inflation. Each YEAR the CPI average for the year just completed is compared to that of the prior year to determine a percentage of change between the two years.

According to Nebraska law, your COLA percentage is either capped at 2.5%, or the increase in the CPI, whichever is less. For the year ending June 30, 2008, the CPI increase was 5.55%. As a result, the majority of School, Judges and State Patrol retirees saw a 2.5% increase in their benefits beginning last July, the same amount as the prior year's COLA of 2.5%.

By law, a minimum or "floor" is set to a retiree's purchasing power. For the School and Judges Plans, the floor is 75% of the purchasing power of the initial benefit. For the State Patrol Plan, the floor is 60% of the initial benefit. If your retirement benefit would erode to an amount below the minimum floor purchasing power, your benefit adjustment would reflect the amount necessary to return to the minimum purchasing power.

NPERS issued correspondence to all affected retirees at the end of July 2008. If you were eligible for the COLA increase, this letter explained the type of COLA and actual dollar amount of your increase. If you have questions about the COLA, please contact NPERS.

## THE EASY EXPLANATION

**BOX 1** shows everything NPERS paid to you in 2008.

**BOX 2a** is the amount that is taxable to you.

**BOX 4** is the amount that was withheld for federal taxes.

**BOX 5** is the amount that is not taxable.

**BOX 10** is the amount that was withheld for state taxes.

**BOX 1 (minus) BOX 2a = BOX 5**

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$ <b>BOX 1</b>	OMB No. 1545-0119	2008	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S federal identification number		2a Taxable amount \$ <b>BOX 2a</b>	Form 1099-R		
RECIPIENT'S identification number		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>	This information is being furnished to the Internal Revenue Service.	
RECIPIENT'S name		3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ <b>BOX 4</b>	12 State distribution \$	
Street address (including apt. no.)		5 Employee contributions /Designated Roth contributions or insurance premiums \$ <b>BOX 5</b>	6 Net unrealized appreciation in employer's securities \$	13 Local tax withheld \$	
City, state, and ZIP code		7 Distribution code(s)	8 Other \$ %	14 Name of locality \$	
1st year of desig. Roth contrib.		9a Your percentage of total distribution %	9b Total employee contributions \$	15 Local distribution \$	
Account number (see instructions)		10 State tax withheld \$ <b>BOX 10</b>	11 State/Payer's state no.		

Form 1099-R Department of the Treasury - Internal Revenue Service

## Coming Soon – 1099-R Tax Statements

Watch your mail in mid to late January for an envelope marked **Important Tax Return Document Enclosed**, which will include benefit information to be filed with your 2008 income tax returns.

Each box on the 1099-R (shown above) is defined on the back of the form. Make sure NPERS has your **current address** so you receive your 1099-R in a timely fashion.

Questions about individual tax liability should be directed to your accountant, the Internal Revenue Service or your state Department of Revenue.



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